



2012
ANNUAL REPORT
UTILITY RATES REVIEW COUNCIL
OF NUNAVUT

UTILITY RATES REVIEW COUNCIL OF NUNAVUT

ANNUAL REPORT

For the year ending March 31, 2012

Members of the Nunavut Legislative Assembly:

I take pleasure in submitting the Annual Report of the Nunavut Utility Rates Review Council for the calendar year ending March 31, 2012.

Original Signed By:

Hon James Arreak
Minister responsible for the Utility
Rates Review Council

The Honourable James Arreak
Minister responsible for the
Utility Rates Review Council
Of Nunavut

Dear Minister:

I have the honour presenting the Annual Report of the Utility Rates Review Council of Nunavut for the calendar year ending March 31, 2012.

Respectfully submitted,



Raymond Mercer
Chair, Utility Rates Review Council
Of Nunavut

The Utility Rates Review Council

1. MANDATE

The *Utility Rates Review Council Act*, created in the spring of 2001, and amended in the summer of 2010, gives the power to the URRC to provide advice to ministers regarding rates and tariffs to be charged by designated utilities and any other matters as requested and directed by the minister responsible for the URRC.

Under the Act, a designated utility is defined as *a utility or a member of class of utilities designated in the regulations*:

Additionally, a utility is any of the following that provides goods or services to the public:

- (a) a corporation that is owned or controlled by the Government of Nunavut, and to which this Act applies either by legislation or a regulation made under paragraph 20(1)(a):*
- (b) a department or administrative division of the Government of Nunavut to which this Act applies either by legislation or a regulation made under paragraph 20(1)(a):*
- (c) a person or organisation not mentioned in paragraph (a) or (b) to which this Act applies either by legislation or a regulation made under paragraph 20(1)(a)*

The Qulliq Energy Corporation and as a consequence Nunavut Power Corporation, as Designated Utilities, are subject to the URRC through the *Utility Rates Review Council Act*.

In June of 2010 the Minister responsible for the URRC re-appointed its three members as follows:

Raymond Mercer	Chair
Vivienne Aknavigak	Member
Gordon Rennie	Member

Subsequently, changes were made to the *URRC Act*. It passed through the legislative assembly in September 2010, thereby increasing the permitted number of members to five.

As a result, the responsible Minister for the URRC appointed two new members in addition to appointing a vice chair from among the members. The URRC members were as follows:

Raymond Mercer	Chair
Vivienne Aknavigak	Vice Chair
Gordon Rennie	Member
Louie Qingnatuq	Member
Graham Lock	Member

In 2011, sudden and unexpected changes occurred to the make-up of the Council. This included the following:

Louie Qingnatuq.

Louie passed away suddenly at his home in the spring of 2011. It was extremely sad to have heard of his passing. Louie was very well valued and is greatly missed.

Gordon Rennie

Gordon, due to personal reasons and with much reluctance tendered his resignation in the month of June 2011. The URRC would like to thank Mr. Rennie for his dedication and wishes him the very best for his future.

Vivienne Aknavigak

Vivienne, due to circumstances beyond her control had to tender her resignation in December 2011. The Council will miss her as vice chair, and wishes to thank her for her work and dedication as a council member.

Ministerial Appointments

In the fall of 2011, the Minister responsible for the URRC advertised seeking candidates to fill two positions on the URRC.

The Minister appointed two new council members in November 2011. The two new members are as follows, Joshua Curley and Robert Kirk Janes.

Joshua Curley

In January 2012, Mr. Joshua Curly resigned from the URRC for personal reasons.

As of January 2012 the members of the URRC are as follows:

Raymond Mercer	Chair
Graham Lock	Member
Robert Kirk Janes	Member

Temporary Members

The responsible Minister for the URRC, on the request of the council, may appoint, in addition to the members appointed under Subsection (1) of the URRC Act, no more than two temporary members of the Review Council for the purpose of dealing with a

particular matter before the Review Council and may specify the terms and duties of the temporary members. Temporary members were not required for this fiscal year.

Executive Director

The changes made to the URRC Act in September 2010 also included changes to the administrator position for the Review Council.

Under Section 3 (9), the Review Council may appoint an executive director and fix the terms and conditions of the appointment. Duties of executive director are under 3 (10), the executive director shall (a) keep a record of all proceedings of the Review Council and have custody of all of the Review Council's records and documents; and (b) perform any other duties that may be assigned by the Review Council.

In October 2010, Laurie-Anne White accepted a one year transfer assignment as executive director for the URRC. In September 2011, she was appointed to the position indeterminately as executive director and carries out the duties as outlined in the *URRC Act* as amended.

Consultants

Mr. Raj Retnanandan has been retained on contract as per Section 8(1) (b) of the URRC Act as an advisor to the URRC. Mr. Retnanandan comes to the URRC with extensive knowledge and expertise in energy management and regulatory consultations.

Mr. John Donihee has been retained as per Section 8(1)(b) of the URRC Act as Legal Counsel to the URRC. Mr. Donihee comes to the URRC with extensive knowledge and expertise in energy law and regulatory consultations.

4. BUDGET

In 2011-2012 the Review Council operating and maintenance budget was \$736,900. The Review Council remained within its budget for the year.

5. SUMMARY OF 2011-2012 RECOMMENDATIONS:

The following recommendations were made with respect to a Major Capital Project Permit Application respecting construction of a new power plant in Cape Dorset made by the Qulliq Energy Corporation on June 6 2011, URRC Report 2011-03.

Qulliq Energy Corporation (QEC), as a designated utility, is required pursuant to Section 18.1 of the Qulliq Energy Corporation Act (QEC Act), to seek approval from the responsible Minister prior to undertaking a major capital project. In this regard, Section 18.1 of the QEC Act provides as follows:

"Definition

(1) In this section, "major capital project" means a capital project that has a total cost that exceeds \$5,000,000.

Major capital project

(2) The Corporation shall not undertake, nor permit any of its subsidiaries to undertake, a major capital project unless it applies in advance to the Minister for an order giving permission for the project.

Minister may seek advice

(3) Before responding to an application for permission made under subsection (2), the Minister may seek the advice of the Utility Rates Review Council established under the *Utility Rates Review Council Act*.

Corporation to provide information

(4) The Corporation shall provide the Minister and the Utility Rates Review

Council with any information necessary for the Minister to decide whether permission should be granted.

What Minister may do

(5) The Minister may (a) grant permission for undertaking the major capital project, with or without conditions; or (b) refuse permission.

Order

(6) Permission granted by the Minister under paragraph (5)(a) shall be in the form of an order."

In accordance with the above the URRC recommends:

1. Having considered the foregoing matters, the URRC recommends that the major capital project permit approval for construction of the new power plant in Cape Dorset be granted, in accordance with the Application.
2. The URRC recommends the prudence of the cost of construction of the project be examined at the time the project is proposed to be included in rate base.
3. The URRC recommends QEC be directed to address the decommissioning and environmental cleanup plan for the existing site as well as the corresponding costs at the time the new Cape Dorset project is proposed to be included in rate base, and further, that site restoration and environmental cleanup costs be included in the annual amortization rates and amortization expense for regulatory purposes, following the transition to Public Sector Accounting.
4. Nothing in this Report shall prejudice the URRC in its consideration of any other matters respecting QEC.

The following recommendations were made with respect to a Major Capital Project Permit Application respecting construction of a new power plant in Taloyoak made by the Qulliq Energy Corporation on June 6 2011, URRC Report 2011-04.

Qulliq Energy Corporation (QEC), as a designated utility, is required pursuant to Section 18.1 of the Qulliq Energy Corporation Act (QEC Act), to seek approval from the responsible Minister prior to undertaking a major capital project. In this regard, Section 18.1 of the QEC Act provides as follows:

"Definition

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(3) Before responding to an application for permission made under subsection (2), the Minister may seek the advice of the Utility Rates Review Council established under the *Utility Rates Review Council Act*.

Corporation to provide information

(4) The Corporation shall provide the Minister and the Utility Rates Review Council with any information necessary for the Minister to decide whether permission should be granted.

What Minister may do

(5) The Minister may (a) grant permission for undertaking the major capital project, with or without conditions; or (b) refuse permission.

Order

(6) Permission granted by the Minister under paragraph (5) (a) shall be in the form of an order."

In accordance with the above the URRC recommends:

1. Having considered the foregoing matters, the URRC recommends that the major capital project permit approval for construction of the new power plant in Taloyoak be granted, in accordance with the Application.
2. The URRC recommends the prudence of the cost of construction of the project be examined at the time the project is proposed to be included in rate base.
3. The URRC recommends QEC be directed to address the decommissioning and environmental cleanup plan for the existing site as well as the corresponding costs at the time the new Taloyoak project is proposed to be included in rate base, and further, that site restoration and environmental clean up costs be included in the annual amortization rates and amortization expense for regulatory purposes, following the transition to Public Sector Accounting.
4. Nothing in this Report shall prejudice the URRC in its consideration of any other matters respecting QEC

With respect to the 2010/11 General Rate Application, Phase II made by the Qulliq Energy Corporation, dated September 9, 2011, URRC Report 2012-01.

In its letter dated September 9, 2011, QEC requests the following:

Approving the Corporation's proposed adjustments to base rates effective April 1, 2012.
That QEC should gradually move away from different rates for each community and toward levelized rates across the Territory.

QEC also requests approval of:

The approval of adjustments to the operation of the Fuel Rate Stabilization Fund (FSR) and revisions to the Terms and Conditions of Service.

In accordance with the above the URRC recommends

1. The URRC recommends acceptance of QEC's proposal to adopt a Nunavut wide Cost of Service (COS) approach for the purpose of establishing rates to be implemented on April 1 2012.
2. The URRC recommends acceptance of the Nunavut wide COS study as proposed by QEC and as set out in Appendix A-3 of the Application.
3. The URRC recommends approval of QEC's rate change proposals as set out in Schedules 1.1.1 to 1.1.5 of the Application, effective April 1, 2012.
4. The URRC recommends adoption of the changes to the operation of the rate stabilization fund described in Directions #9 and #10 of Section 10.0 of this Report.

5. The URRC recommends approval of the Terms and Conditions of service as set out in URRC QEC 3-36 Attachment, subject to the changes referred to under Directions #12 and #13 of Section 10.0 of this Report.

6. Nothing in this Report shall prejudice the URRC in its consideration of any other matters respecting QEC.

5. CANADIAN ASSOCIATION OF MEMBERS OF PUBLIC UTILITY TRIBUNAL (CAMPUT)

The URRC continued its ongoing association with CAMPUT in 2011-2012. The membership of CAMPUT is made up of all the Boards and Councils from the ten provinces and three territories plus the National Energy Board. CAMPUT also admitted a number of quasi-judicial boards as associate members to CAMPUT, as part of their ongoing goal of improving all types of regulation in Canada. A full list of CAMPUT membership can be found at the end of this report.

The Chair, one council member and the executive director for the URRC attended the CAMPUT Annual Educational Conference as part of the Council's continuing education. This year the conference was held in Vancouver, BC in May 2011. This conference brings together regulators, utilities from Canada, U.S. and Mexico to discuss emerging issues in electricity and gas markets. This is always a very informative and well attended conference; a must for regulators, utilities and their staff to participate.

The URRC attended the CAMPUT annual general meeting (AGM) in September 2011. This conference brings together the member boards from across Canada to discuss events and issues that affect the regulatory community. Representatives were present from all boards at the meetings in Halifax, NS. The URRC was represented by the chair and the executive director.

The URRC continues to be actively involved in various committees of CAMPUT. Raymond Mercer continued his role with the Chairs Policy Committee that provides direction to CAMPUT on major policy issues. He also is a member of the Organising Committee for the 2011 CAMPUT educational conference in Vancouver B.C. This group develops the agenda, retains the moderators and presenters for conference.

Please see *Appendix I* for a list of CAMPUT members and its committee.

6. **A LOOK AHEAD AT 2012-2013**

The World Energy Conference is being held in Canada this year; it will take place in Quebec City during the month of May 2012. At the same time, CAMPUT is holding a seminar for regulators and regulatory staff. The topics include 1) Energy future: Imagine 2025 and 2) the relationship between politics and regulation. The URRC will be represented at this conference and seminar by the chair and executive director.

In the near future the URRC will apply to the Minister responsible for the URRC to fill the two vacant positions on the Council.

In September of 2012, CAMPUT will hold its AGM in Saskatoon. The URRC as a member of CAMPUT is expected to be represented at that AGM.

ON BEHALF OF THE NUNAVUT UTILITY RATES REVIEW COUNCIL



DATED March 31, 2012

Ray Mercer, Chair

Appendix I

CAMPUT Member Boards

The current CAMPUT membership includes the following federal, provincial and territorial boards and commissions:

- Alberta Utilities Commission
- British Columbia Utilities Commission
- Manitoba Public Utilities Board
- National Energy Board
- New Brunswick Energy and Utilities Board
- Newfoundland & Labrador Board of Commissioners of Public Utilities
- Northwest Territories Public Utilities Board
- Nova Scotia Utility and Review Board
- Nunavut Utility Rates Review Council
- Ontario Energy Board
- Prince Edward Island - Island Regulatory and Appeals Commission
- Régie de l'énergie du Québec
- Saskatchewan Rate Review Panel
- Yukon Utilities Board

CAMPUT Associate Members

- Canadian Nuclear Safety Commission (CSNC)
- Oil and Gas Commission (OGC), British Columbia
- Energy Resources Conservation Board (ERCB), Alberta
- Bureau d'audiences publiques sur l'environnement (BAPE), Québec
- Canada - Nova Scotia Offshore Petroleum Board (CNSOPB)
- Canada - Newfoundland and Labrador Offshore Petroleum Board (CNLOPB)
- Comisión Reguladora de Energía (CRE), Mexico
- Efficiency NB, New Brunswick

CAMPUT Executive Committee:

The affairs of CAMPUT are directed and managed by its Executive Committee which is elected annually from the Association's membership. The Committee comprises the Chair, Vice-Chair, Past Chair, Secretary-Treasurer, Chair of the Education Committee, and the Chair of the Regulatory Affairs Committee. The executive director of CAMPUT provides support to the Executive Committee and manages the day-to-day operations of the Association.

Executive Committee:

Name	CAMPUT Position	Board	Telephone	E-mail
Lise Duquette	Chair	Régie de l'énergie	(514) 873-2452	lise.duquette@regie-energie.qc.ca
Raymond Gorman, Q.C.	Vice-Chair	New Brunswick Energy and Utilities Board	(506) 658-2504	ray.gorman@nbeub.ca
Carolyn Dahl Rees	Secretary Treasurer	Alberta Utilities Commission	(403) 592-4534	carolyn.dahlrees@auc.ab.ca
Roland George	Chair, Regulatory Affairs	National Energy Board	(403) 299-3163	roland.george@neb-one.gc.ca
Ken Quesnelle	Chair, Education	Ontario Energy Board	(416) 440-7731	ken.quesnelle@ontarioenergyboard.ca
Maurice Rodgerson	Past Chair	Island Regulatory and Appeals Commission	(902) 892-3501	mrodgerson@irac.pe.ca

Terry Rochefort	Executive Director	(905) 827-5139	rochefort@camput.org
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